

Message Text

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ACTION NEA-12

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FM AMCONSUL BOMBAY

TO AMEMBASSY NEW DELHI

INFO SECSTATE WASHDC 3700

C O N F I D E N T I A L BOMBAY 0585

E. O. 11652 GDS

TAGS: EGIN, IN

SUBJECT: ESSO- GOI NEGOTIATIONS

REF: BOMBAY 0565

1. NEFF GAVE ME MORE DETAILED RUNDOWN ON NEGOTIATIONS TODAY AND REITERATED REQUEST THEY BE CLOSELY HELD IN VIEW ASSURANCES THEY HAVE GIVEN GOI. IN MARCH 15 DISCUSSION DELHI GOI NEGOTIATING TEAM (PETROLEUM & FINMIN SECRETARIES) TURNED DOWN VALUATION BASED ON REPLACEMENT LESS OBSERVED DEPRECIATION AND REQUESTED ESSO COME UP WITH FIGURE BASED ON COMBINATION EARNING POWER PAST 3 YEARS AND WRITTEN DOWN TAX VALUE (LATTER FAVORED BY GOI) ESSO WORKING OUT FIGURE NOW AND WILL BE TAKING DELHI TOMORROW 21 ST TO PUT ON TABLE. PETROLEUM MINISTRY STATES THEY WILL BE PREPARED RESPOND BY APRIL 6. (I GATHER THAT IF ESSO CAN OBTAIN AGREEMENT ON TOTAL VALUE FIGURE IN NEIGHBORHOOD 35 TO 40 MILLION DOLLARS THEY MAY BE DISPOSED PROCEED THIS BASIS.)

2. GOI HAS STATED IT WISHES CONCLUDE EQUITY- SHARING PROPOSAL ON 74-26 BASIS BUT WISHES 5 YEAR OPTION BUY OUT ESSO 26 PERCENT. ACCORDING NEFF HOUSTON HAS SOME RESERVATIONS ON THIS SCORE.

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3. GOI ALSO WISHES 3 1/2 YEAR ASSURANCE ON CRUDE SUPPLY FROM ESSO AT COMPETITIVE WORLD PRICE. NEFF COMMENTS GOI NOW AWARE NEED FOR FOREIGN COMPANY HELP TO OBTAIN ASSURED SUPPLY CRUDE. HOUSTON, HOWEVER, HAS NOT YET RESPONDED ON CRUDE ASSURANCE.

4. ACCORDING NEFF NEGOTIATING ATMOSPHERE GOOD AND PROGRESS MADE EACH SESSION. REFLECTS NOT ONLY GOI AWARENESS NEED HELP ON CRUDE SUPPLY BUT GOI APPRECIATION HELP CURRENTLY BEING EXTENDED BY OIL COMPANIES TO IT. FOR EXAMPLE ESSO AND CALTEX WILL HELP MOVE INDIAN PURCHASED RUMAILA CRUDE THROUGH INCREMENTAL# REFINING PROCESS FOR FEE. THIS POSSIBLE DUE SETTLEMENT JUST REACHED BETWEEN CONSORTIUM AND IRAQ. ESSO ALSO GOING TO HELP CLEAN UP SOME INDIAN-PURCHASED DIESEL FUEL WHICH BELOW SPECIFICATIONS.

5. ASKED NEFF ABOUT ALLEGED REPORT EMANATING PRESS CIRCLES (I. E. RANGNEKAR, ECONOMIC TIMES) ESSO DISINVESTING THROUGH CURRENT SALES HIGH VALUE STATION PROPERTIES BOMBAY. NEFF STATED THIS HAD COME UP DELHI AND ESSO HAD GIVEN ASSURANCES THAT IT SELLING ONLY ONE PROPERTY BOMBAY(GRANT ROAD) AND THAT THIS HAD BEEN IN MILL BEFORE NEGOTIATIONS STARTED AND COMMITMENTS MADE. SAID NO BASIS FOR ALLEGATIONS ESSO SELLING NEPEAN SEA AND OTHER HIGH VALUE REAL ESTATE PROPERTIES IN ORDER REALIZE PROFIT BEFORE CONCLUSION DEAL WITH GOI.
BANE

NOTE BY OC/ T: (#) AS RECEIVED.

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